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MEMORANDUM

TO: James Odiorne
FROM: David Coronado
DATE: March 18, 2003
SUBJECT: Outstanding Requests for Information

Below is a list of requests made of Premera for the purposes of a due diligence review that Peterson Consulting still finds to be deficient. An explanation of why we feel these request are deficient follows. In addition, we have addressed what aspect of our report to the Alaska Division of Insurance will be affected if we do not receive the information in the form in which it was originally requested.

The information that was initially provided by Premera with respect to requests B-157 and B-164¹ was too general for the purposes of our analysis. We have asked the company to revisit these requests and to provide us actual provider fee schedules used in Alaska, as well as several analyses of this information. The physician fee schedules and related analyses are integral to our ability to assess the impact that the conversion would have on the market place.

Likewise with respect to requests B-157 and B-164, we have requested that Premera provide us with copies of any preferred provider contracts that exist with Alaska hospitals. Review and analysis of these arrangements is necessary in order to evaluate the economic viability of the new Premera Alaska entity.

The question of whether the company will retain its 833(b) tax status is still outstanding. We have been informed that the material change opinion is considered privileged information by Premera's legal advisors. Yet without this information, we are unable to determine the impact that this opinion might have on our ability to issue a statement regarding the economic viability of the new Premera Alaska entity and the company as a whole following the conversion.

Finally, we are examining other issues, which, if left unresolved, may have an effect on our ability to render an opinion as to the fairness of the conversion.

cc: Kathryn Baxter
Gloria Glover

¹ B-157 was a request for provider fee schedules. B-164 was a request for analyses of physician fee schedules.